



Written Testimony of Doug Shadel, PhD

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Stopping Senior Scams

United States Senate Special Committee on Aging

March 7, 2018

Washington, DC 20510

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Doug Shadel – State Director, AARP Washington

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Thank you Chairman Collins, ranking member Casey and committee members for the opportunity to talk about the current state of consumer fraud that targets older persons in the United States. I would like to briefly mention three things in my remarks today:

- 1) Provide an overview of the most common scams we see going on in the marketplace;
- 2) Describe some of the newer research we have done with colleagues at Stanford University, the FINRA Foundation and the US Postal Inspection Service about what makes consumers particularly vulnerable to scams and fraud and
- 3) Describe how we have applied some of this research to our outreach and prevention programming in the field.

Common Scams

The biggest single area of fraud we see is the rise of imposter scams. The FTC's Consumer Sentinel reports that the number of fraud complaints involving imposter scams has risen from about 120,000 in 2013 to over 400,000 in 2016. AARP did a survey last year and found that the top imposter scams were:

- 1) Tech support scams – A pop up appears on your computer telling you that you have a virus and to call a toll-free number to have it removed. The scammer charges an arm and a leg to remove what is often a non-existent problem.

2) Phishing scams – P-H-I-S-H-I-N-G - These are notices you get via mail, email or text that look like your bank or your credit card company and they tell you to contact them with personal information to fix a problem with your account. The scammer goal: steal your personal identifying information.

3) Lottery scams – Someone calls or writes and tells you that you may have won the Jamaican or Spanish lottery and all you need to do to claim it is pay a small tax or fee.

4) IRS scams – You get a call that tells you that you owe the IRS thousands of dollars and you need to take care of it immediately or you will be arrested and thrown in jail.

5) Romance scams – Someone contacts you on a dating website and starts “love bombing” you – showering you with praise and declaring their love within hours of first meeting in order to convince you to send them money.

6) Grandparent Scams – This is the scam we just heard about, where someone calls posing as a distressed relative who needs money to get bailed out of jail.

Now you might ask yourself what do these scams have in common? One thing is the scammer is pretending to be someone they are not and in an age of advanced technology, there has never been an easier time to do that. One scammer told us if you are committing fraud and you are not using the internet, you are guilty of malpractice.

The second thing they have in common is they are trying to arouse your emotions through fear and/or excitement in order to get you to make a decision you may later regret. This leads me to discuss some of the research AARP has conducted about the role of heightened emotions and fraud victimization.

Over the past decade or so, we have interviewed numerous con artists about their crimes. When we ask them, “What is your central strategy for defrauding consumers?”, they always say the same thing: get the victim “under the ether.” What is ether? Ether is slang for a heightened emotional state that forces the victim to react emotionally rather than think logically. The idea is that when someone is in an emotional state, whether it is being joyful because you may have just won the lottery, or fearful because your grandson is in a Canadian jail or you have just been told you owe the IRS thousands of dollars, the logical reasoning part of your brain is swamped out by the strong emotions of the moment and the victim is more likely to make what academics call “a suboptimal decision” that leads to being scammed.

In 2014, AARP and the FINRA Foundation teamed up with researchers at Stanford University to test the role of emotions in fraud. The research question was this: does making a buying decision while in a heightened emotional state make it more or less likely one will fall for a scam? We tested this by bringing older and younger people into a lab in Palo Alto. In one experimental condition, subjects played a rigged game in which they initially won money but then lost continually. This left them in an angry emotional state. In another condition, subjects played a rigged game in which they initially lost money, then had a continual winning streak, which put them in a mood of positive excitement. A third group played a game that created no mood change.

All three groups were then asked to review and rate deceptive advertisements based on their credibility and how likely they would be to purchase the item. The results were telling: Older people who were in a heightened emotional state (positive or negative) were more likely than the control group to say they'd buy, whether or not they found the ads credible. They were also easier to arouse emotionally than younger persons or controls.

This finding supports the con artist's contention that getting consumers "under the ether", especially older people, creates a vulnerable moment in which they are more easily manipulated and therefore more easily scammed.

How does this research apply to prevention? Well, for decades now, the clarion call of fraud prevention practitioners everywhere – and I admit – I have used this myself – has been "If it sounds too good to be true, it probably is." While this statement makes perfect sense, it is only effective if you are thinking logically. But the con man's first and really only goal is to get you away from logic and into emotion and keep you there as long as possible. As a result, relying on this "too good to be true" phrase is like locking your money in a safe where the thief has the combination.

Much of what we do in our workshops in local communities is to teach consumers the persuasion tactics scammers use to get the victim under the ether. We teach them about the phantom wealth tactic, which is dangling the prospect of winning the lottery as a way to get you excited. We teach them to spot fear tactics like the grandparent scam where they claim your grandson or daughter is at grave risk.

We also use this research in our AARP Fraud Fighter Call Centers in Seattle and Denver that make outbound and inbound calls to consumers all over the country. Dozens of volunteers provide peer counseling that reminds folks how the scammers operate and the sneaky emotional manipulation they use to trick you. These peer counseling interactions have also been tested by Stanford social scientists and those who received such calls are significantly less likely to get scammed as a result. I have provided committee staff with copies of these studies should you want to read more.

Because so many of the scams seniors fall for are still done over the phone, we provide older consumers with what we call a “refusal script” that allows them to more easily end an interaction with a potential scammer. AARP focus group research found many older consumers find it difficult to discontinue a conversation with a scammer or an unknown caller because they don’t want to be rude. We advise seniors to write out a script and put it by the phone so that if they need to end the call, they have something to say without being rude. What’s an example? “I’m sorry, this is not a good time. Thank you for calling.”

One final point: last November, AARP announced a national partnership with the US Postal Inspection Service (USPIS) to warn military veterans about fraud. Research shows that 8 in 10 military victims have received at least one scam attack in the last year and the number of veterans who report being victimized by fraud is significantly higher than for the general public.

Beginning this week, Americans who visit more than 30,000 post offices around the country will find written fraud prevention materials that can help military veterans avoid scams that specifically target them, including VA loan scams, pension poaching and aid and attendance scams.

Thank you for the opportunity to participate in this hearing this afternoon.